



Government Purchasing Agency

Annual Report

2010-2011

  
Newfoundland  
Labrador

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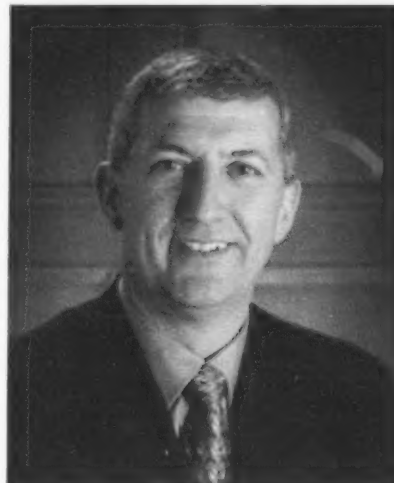
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## Message from the Minister

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It is my pleasure to present the Government Purchasing Agency's (Agency) 2010-11 Annual Report. As Minister responsible I am accountable for the results presented. The report is performance based and reflects the success of the Agency in meeting the goals and objectives as outlined in its 2008-11 Business Plan. As this year also marks the end to the five year Business Planning cycle, the report will detail the success of the Agency in achieving its overall Mission.



The mandate of the Agency is to provide leadership and support to the public sector in the areas of procurement and supplier development. This authority is provided through both the *Government Purchasing Agency Act* and the *Public Tender Act*. During the year the Agency has worked diligently in meeting its obligations. Along with fulfilling the procurement needs of departments, staff have continued to deliver training and information sessions to both the public sector and supplier community. Efforts toward the development of a centralized procurement model were also rewarded this year with the implementation of the Corporate Purchasing Model. This process has streamlined procurement across departments ensuring a consistent process and greater compliance with legislation.

I would like to take this opportunity to acknowledge those who contributed to this report and the dedication of the staff of the Government Purchasing Agency.

A handwritten signature in dark ink, appearing to read 'Paul Davis'.

Paul Davis  
Minister

# Government Entity Overview

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The Government Purchasing Agency (the Agency) is an independent branch of the public service under the management and control of a Chief Operating Officer. The Agency provides procurement, information and training services to government departments and government funded bodies. While its head offices are located in the Petten Building, 30 Strawberry Marsh Road, St. John's, staff have been positioned at various locations to optimize service delivery. There currently exist 46 staff positions, with a female to male ratio of 2:1.

The Agency also maintains a website, [www.gpa.gov.nl.ca](http://www.gpa.gov.nl.ca), which permits the public to access information governing procurement in the Newfoundland and Labrador public sector. Bidding opportunities within the province and abroad along with recently awarded tenders can also be accessed through this website.

The Agency operates under the authority of the *Government Purchasing Agency Act* and the *Public Tender Act*.

- *Government Purchasing Agency Act* - outlines the mandate of the Agency and provides for its operation.
- *The Public Tender Act* - primary legislation that governs procurement within the public sector.

## Vision

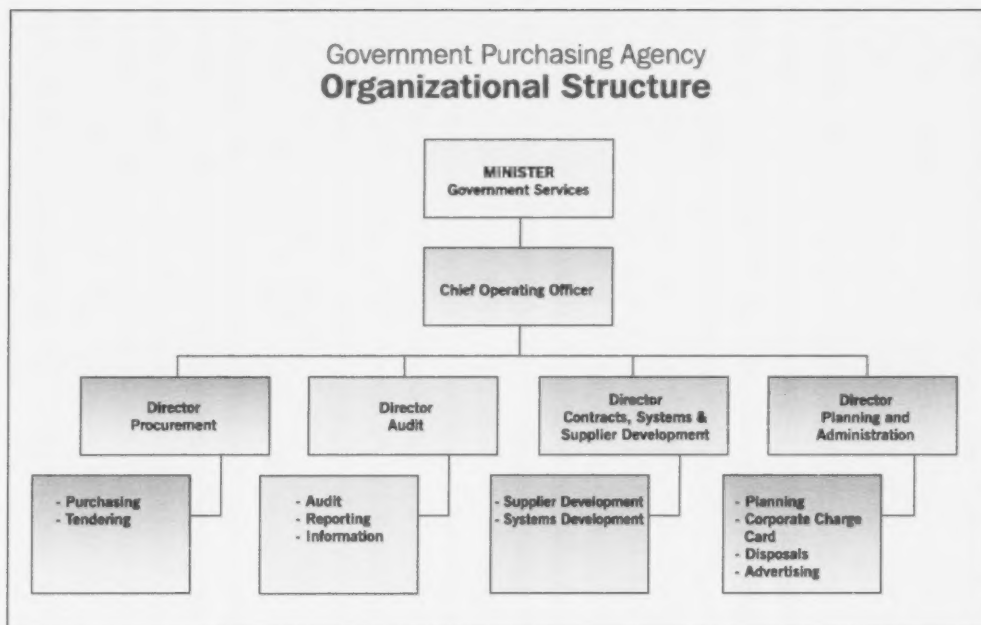
The vision of the Agency is of an informed public sector and supplier community participating in a transparent and equal opportunity procurement environment. Its programs and services are guided by this vision.

## Organizational Structure

The Agency has four divisions which collectively ensure the delivery of its programs and services;

- Procurement,
- Audit,
- Contracts, Systems and Supplier Development, and
- Planning and Administration.

The Director of each division reports directly to the Chief Operating Officer who reports to the Minister of Government Services. Clients of the Agency include government departments, government funded bodies and the supplier community.



## Mandate

The Agency's mandate is derived directly from the *Government Purchasing Agency Act* and includes the following:

- Acquisition of goods and services required by departments of the public service. The Chief Operating Officer may delegate this authority, in full or in part, to departments where it is deemed efficient to do so.
- The Agency may acquire goods and services required by a government-funded body when deemed efficient to do so. This action requires direction from the Lieutenant-Governor in Council.
- Responsibility for a joint purchasing advisory board, currently the Central Purchasing Authority (CPA). The CPA is responsible for the coordination of a number of high volume contracts for use by Departments and Government Funded Bodies.
- Reporting exceptions to the *Public Tender Act*, awards to other than the preferred bidder and information respecting a tender invitation and tender award to the House of Assembly.
- Where exceptions to the *Public Tender Act* are reported the Chief Operating Officer has the authority to express an opinion with respect to the sufficiency of the grounds for using the exception.
- Audit departments and government funded bodies to ensure compliance with procurement legislation.
- Provision of training to members of the public service to ensure awareness of applicable legislation and purchasing policies and procedures.



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## **Lines of Business**

The Government Purchasing Agency provides the following lines of business:

### **Procurement**

The procurement cycle includes the advertising, tendering, acquisition of goods and services and disposal of assets on behalf of government entities. It also includes the provision of corporate charge cards to government employees for travel related expenditures.

The procurement process is dictated by the *Public Tender Act*. In accordance with this legislation, goods and services in excess of \$10,000 are publicly tendered unless there exist special circumstances. Acquisitions less than or equal to \$10,000 require three quotes or a fair and reasonable price.

### **Audit, Information and Training**

The Agency provides information and training regarding the *Public Tender Act*, *Government Purchasing Agency Act*, Atlantic Procurement Agreement, Agreement on Internal Trade and purchasing policies and procedures. This information is available to departments, government funded body's and the supplier community.

As a result of the Atlantic Procurement Agreement and the Agreement on Internal Trade local businesses can bid on tenders throughout the country. To compete for these opportunities suppliers must remain up-to-date with respect to the public procurement process. Through partnership with the Department of Innovation, Trade and Rural Development the Agency provides forums for the public to gather information on the rules governing public procurement.

Tender and award information is collected from government entities throughout the Province. This data allows the Agency to monitor procurement patterns across Newfoundland and Labrador and the success of local companies when competing for Government business.

The Agency also has an auditing function which promotes accountability and proper application of procurement legislation throughout the public sector. Departmental and Government Funded Body audits continue throughout the year to ensure legislative compliance.

# Shared Commitments

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## Public Sector

As part of its strategic direction "Compliance with the *Public Tender Act*" the Agency committed to provide training to public sector employees concerning the requirements of the *Public Tender Act* and related legislation. In addition, staff remain available to the public service for the development of tender specifications, bid evaluation, the tendering and award process and interpretation and application of relevant legislation.

## Industry

The Agency is continuing in its partnership with the Department of Innovation, Trade and Rural Development (INTRD) to improve supplier access to public procurement opportunities. The Department of INTRD coordinates Supplier Information Sessions and Trade Shows throughout the Province. It has partnered with the Agency to promote awareness of government procurement practices and potential bidding opportunities. This partnership directly supports the "Supplier Development" strategic direction as detailed in the Agency's 2008-11 Business Plan.

## Federal/Territorial Governments

The Agency administers the procurement component in two intergovernmental trade agreements (Atlantic Procurement Agreement and the Agreement on Internal Trade) on behalf of the Province. The agreements contribute to a reduction in trade barriers, purchasing costs and the development of a strong economy. While supporting the Minister's commitment to Supplier Development our participation also ensures local suppliers have an equal opportunity when bidding on Government tender opportunities throughout Canada.

Participation in the Computers for Schools Program remains a priority. This is a national program that operates in cooperation with all provinces and territories, and the volunteer and private sectors. This partnership ensures quality used computers are forwarded to schools meeting the program criteria.

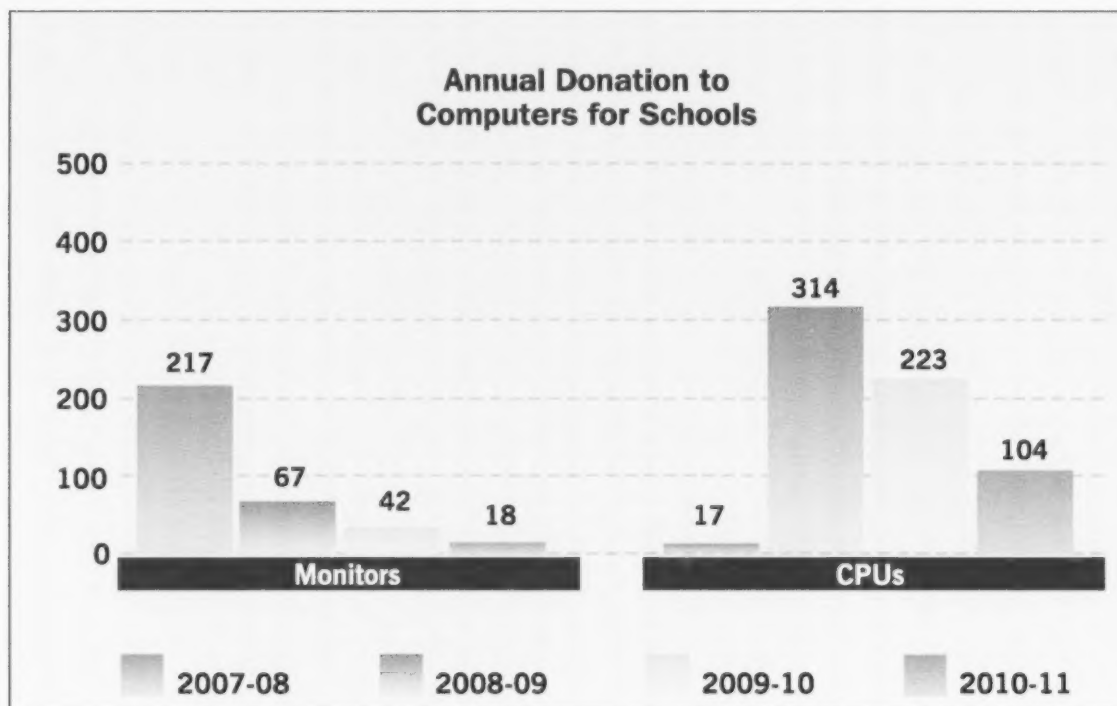
# Highlights and Accomplishments

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## Purchasing

- In October 2010, the Corporate Purchasing model was deployed. Responsibility for transacting low-dollar departmental purchases (within a defined geographical area) returned to the Agency. This was a major operational change requiring the development of new policies and procedures. This model ensures a more consistent application of procurement legislation which directly supports the strategic direction "Compliance with the *Public Tender Act*".
- The Agency's transaction volume increased by more than 8,000 acquisitions during the first six months of the new purchasing model.
- In 2010-11, acquisitions made through the Oracle purchasing module totaled \$1,846 million. This compares to \$1,090 million in 2009-10 and \$738 million in 2008-09.
- In 2010-11, there were 16 public auctions and six disposal tenders. This is consistent with the previous year activity of 15 auctions and seven disposal tenders.
- In 2010-11, the Central Purchasing Authority coordinated 31 contracts to be used by both government departments and government funded bodies.
- In 2010-11, there were 2,612 corporate travel cards issued and administered as compared to 2,490 in 2009-10.
- The Agency continued to support the Computers for Schools initiative with its annual donation of monitors and CPU's.





### Audit, Information and Training

The highlights listed below are in direct support of the strategic direction "Compliance with the *Public Tender Act*". Each promotes enhanced transparency and accountability in the procurement process.

- In 2010-11, 13 audits of government funded bodies and departments were performed.
- 1,733 exceptions were reported to the House of Assembly as compared to 1,467 in 2009-10.
- Continued delivery of training in the procurement component of Government's financial system and the legislative requirements of the *Public Tender Act*.
- Participation in four Supplier Development sessions across the Province and two Reverse Trade Shows.

# Report On Mission

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Acting on behalf of government departments, Agency staff issue thousands of purchase orders each year totaling in the hundreds of millions of dollars. Given this volume and value it is essential that operations remain efficient, effective and transparent. With this in mind, in its 2008-11 Business Plan the Agency established its mission as;

By 2011, the Government Purchasing Agency will have improved internal business processes to enhance efficiencies in the procurement process.

Measure: Improved Internal Business Processes to Enhance Efficiencies

Indicators:

- consolidation of purchasing activity for volume buying opportunities
- increased access to procurement information
- policies and procedures are clearly defined and communicated to staff
- work flow processes are clearly defined and communicated to staff
- improved turn-around times for processing requisitions

## **Consolidation of Purchasing**

In 2006-07 the Agency streamlined its processes for the on-going management of its larger, higher volume, multi-user contracts. The management and administration of these contracts has been consolidated under two procurement officers. This centralization provides suppliers and end-users with a single point of contact. It also provides procurement staff with easier access to information necessary when analyzing product usage, supplier availability across the province, the need for additional products, etc.

## **Access to Procurement Information**

Implementation of the Tender Award and Reporting System (TARS) significantly increased the Agency's ability to access procurement data from across the Province. Agency staff worked with employees of the Office of the Chief Information Officer (OCIO) to create a system for government funded bodies to report the details respecting tender notices and awards on a monthly basis. The resulting semi-annual report illustrates how Government procurement dollars are dispersed throughout the Province and the success of Newfoundland and Labrador companies competing for this business.

Most recently, in April 2010, the Agency began posting the details of awarded tenders on its website. Previously, a formal request for award information was required before it was released. The posting of award details is a much more efficient means for suppliers to access this data. It also provides a much simpler method for any member of the public to observe where government is spending its money and the types of goods and services being purchased.

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### **Policies and Procedures Defined and Communicated**

In 2008-09, the Agency completed a review of procurement policies, specifically the requirement to obtain three quotes for low-dollar value acquisitions. The report, which was completed in February 2009, recommended changing the policy for those acquisitions less than \$500. This recommendation was implemented in April 2009 and has greatly reduced the administrative effort and time necessary to complete these transactions.

### **Turnaround Times**

Throughout the previous planning cycle the Agency was actively working towards the purchase and installation of a complete procurement solution. This was a joint effort among several departments including the OCIO. This system would have greatly improved the reporting and monitoring capabilities and turnaround times for acquisitions. However, the project was subsequently cancelled after vulnerability testing revealed the proposed system would leave Government's information at risk to unauthorized access. Staff are committed to using the knowledge and experience gained throughout this process to build on the successes detailed above.

### **Workflow Processes Defined and Communicated**

In October 2010 the Corporate Purchasing Model was implemented. This was a joint collaboration among several departments spanning three years. Responsibility for low-dollar procurement (previously delegated to departments) was returned to the Agency. This represented a significant operational change for both the Agency and departments. To ensure a smooth transition, orientation and training sessions were held both prior to and during the initial stages of implementation. Departmental managers and impacted staff were provided clear direction on the new policies and procedures both verbally and through a formalized procedures document. Finally, the more commonly used documents were placed on the Public Service Intranet site with clear direction on their use.

# Report On Performance 2010-11

## Issue 1: Review of Internal Business Processes

In its Strategic Directions a commitment was made to "Improve Efficiencies in the Procurement Process". Components of this included the assessment of purchasing delegations for efficiencies and the review of legislation, policies and processes to identify improvements. During the planning cycle changes were implemented which positively impacted the procurement process. In 2009 an analysis of the three quote requirement for low-dollar purchasing was completed. Over 9,000 acquisition files were examined to determine whether the effort required provided additional value. The result was the creation of the one quote policy for acquisitions under \$500.

The Agency also participated in a review of the purchasing processes across government departments as part of the Corporate Financial Services Initiative. This review, while lengthy, detailed existing processes and recommended the consolidation of procurement activities to increase efficiencies.

**Goal: By 2011, the Government Purchasing Agency will have initiated the implementation of priority recommendations resulting from a review of internal procurement processes.**

**Measure:** Initiated implementation of priority recommendations.

Indicator	Actual Results
Workflow processes are clearly defined and communicated to staff.	<ul style="list-style-type: none"><li>• A policy and procedures document for the Corporate Purchasing Model was completed detailing the new procurement process. This document was created after discussions with impacted personnel prior to implementation. The manual was provided to departmental managers and buying staff to ensure a clear understanding of the new workflows. Orientation and discussions continued during the roll-out to ensure a smooth transition.</li></ul>
Clear policies and procedures are communicated.	<ul style="list-style-type: none"><li>• Policy and procedures for low-dollar procurement created and communicated across all departments.</li><li>• Commonly used documents detailing specific processes made available to all government employees through the Public Service Intranet.</li></ul>
Learning and growth opportunities are identified and availed of by staff, where appropriate.	<ul style="list-style-type: none"><li>• The Agency identified several new programs and delivery methods which support its learning requirements. These included utilizing web based courses to maintain low learning costs and arranging cost-shared seminars across departments and government funded bodies with similar learning needs.</li><li>• During the previous two years approximately 50% of the Agency staff participated in training opportunities relevant to the Agency's organizational needs.</li></ul>

**Objective:** By 2011, the Government Purchasing Agency will have begun the implementation of priority recommendations.

**Measure:** Initiated implementation of priority recommendations.

Indicator	Actual Results
<ul style="list-style-type: none"><li>● Workflow processes are clearly defined and communicated to staff.</li><li>● Clear policies and procedures are communicated.</li></ul>	<ul style="list-style-type: none"><li>● Numerous consultations and reviews took place during the 2010-11 year to determine best practices and to ensure overall awareness of the impending changes resulting from the Corporate Purchasing Model.</li><li>● Orientation and training sessions held with Agency and departmental staff to ensure a complete understanding of expectations, rolls, responsibilities, policies and processes.</li></ul>
<ul style="list-style-type: none"><li>● Learning and growth opportunities are identified and availed of by staff, where appropriate.</li></ul>	<ul style="list-style-type: none"><li>● Eight training opportunities were identified which directly support Agency operations. Twelve employees participated along with members from other departments and government funded bodies.</li></ul>

## Issue 2: Access to Procurement Information

Timely access to relevant information will greatly assist the Agency in meeting Government's commitment to reform procurement and capital works tendering policies.

To increase both the public sector and supplier access to this information the Agency took a two step approach. The first was to make more readily available information respecting awarded tenders. The second, was the development of a complete procurement solution which would provide greater access to procurement opportunities for both the public sector and supplier community.

**Goal:** By 2011, the Government Purchasing Agency will have implemented a complete reporting system providing the public service and supplier community with greater access to government procurement information.

**Measure:** Improved reporting and monitoring system



Indicator	Actual Results
<ul style="list-style-type: none"> <li>● Reporting and analysis tools implemented and utilized.</li> <li>● Increased access to procurement information.</li> </ul>	<ul style="list-style-type: none"> <li>● Continued to roll-out the Tender Award and Reporting System which allows for access to public procurement information across departments and government funded bodies.</li> <li>● This system allows the Agency to monitor procurement trends across the Province and the disbursement of government funds.</li> <li>● Public tender award information published on the Agency's website creating greater access for all suppliers and the general public.</li> </ul>

In 2008-09 the Agency, in partnership with several departments throughout Government, awarded a contract for the implementation of a complete procurement solution. Components of this system were identified by the various departments after a thorough review of existing capacity and required capabilities. The chosen system offered components which would provide greater access and information for both government employees and members of the supplier community. Implementation of the system was subject to the outcome of integration and vulnerability assessments scheduled for the 2009-10 fiscal year.

Testing of the system was a joint effort undertaken by officials from the Government Purchasing Agency and the OCIO. The results showed implementation would leave Government information at risk to unauthorized access. As no viable solution was presented it was determined cancellation of the project was the only option.

Representatives of the Agency are now working with members of the Office of the Comptroller General in an effort to enhance the existing system. Upgrades to provide self-service capabilities for suppliers and improved reporting and monitoring are being investigated. These discussions are in the information gathering stage. As there are many variables which may impact the end result it would be premature at this point to define a project timeline.

While implementation of a complete reporting system did not occur the Agency made significant advancements in reporting and information availability.

**Objective:** By 2011, the Government Purchasing Agency will have implemented a reporting and monitoring system to provide greater access to procurement information to the public service and supplier community.

**Measure:** Improved reporting and monitoring tools providing greater access to procurement information.

Indicator	Actual Results
<ul style="list-style-type: none"> <li>● Reporting and analysis tools implemented and utilized.</li> <li>● Increased access to procurement information.</li> </ul>	<ul style="list-style-type: none"> <li>● Implemented the Tender Award and Reporting System which allows for access to public procurement information across departments and government funded bodies.</li> <li>● This system allows the Agency to monitor procurement trends across the Province and the disbursement of government funds.</li> <li>● Public tender award information published on the Agency's website creating greater access for all suppliers and the general public.</li> </ul>

## Opportunities and Challenges

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Cancelling the new procurement system has created many challenges. Essentially the process must begin again. Staff must analyze the existing purchasing system to determine if additional functions are readily available to enhance operations. This will be a lengthy process requiring a coordinated effort across several departments. If this review concludes the current module is insufficient to meet the growing demands on procurement, i.e. electronic tendering, supplier self service, etc. then a broader approach will be taken to determine if other Oracle products can perform the required functions.

The Agency, in consultation with departments and government funded bodies, is aggressively working to develop new draft legislation, policies and procedures which will reform current procurement practices. While moving the Province toward the forefront of public procurement remains a priority it also poses many challenges. Ensuring the public sector and supplier community remain informed of the new rules, policies and processes will be a priority as well as implementing new reporting measures to ensure compliance. Both will require a significant commitment of time and resources. However, the Agency is committed to working with its stakeholders to ensure any changes are properly communicated and regulations enforced.

Information provided by the TARS system will assist in identifying product demand and availability across the Province. This provides a great opportunity to assist local suppliers competing for government business. The challenge exists in collecting the data with the aim of strengthening the provincial supplier market.

While implemented in October 2010, Government as a whole continues to transition into the Corporate Services Business Model. The goal from the purchasing perspective is the continued monitoring of procurement activities to ensure optimal service delivery.

# Financial Statements

Expenditure and revenue figures included in this document are un-audited and based on public information provided in the Report on Program Expenditures and Revenues of the Consolidated Revenue Fund for the Year Ended March 31, 2011. Audited financial statements are a requirement at the government level and are made public through the Public Accounts process, however, the Government Purchasing Agency is not required to provide a separate audited financial statement.

Government Purchasing Agency			
Statement of Expenditures and Related Revenues for Fiscal Year Ending 31 March 2011			
	ESTIMATES		
	Actual \$	Amended \$	Original \$
Salaries and Benefits	\$1,947,229	\$2,004,200	\$1,897,500
Transportation and Communication	68,835	80,000	80,000
Supplies	23,465	23,900	22,900
Professional Services	21,278	25,000	25,000
Purchased Services	69,997	123,000	183,900
Property, Furnishings & Equipment	121,164	121,600	1,700
	2,251,968	2,377,700	2,211,000
Less Revenues			
<b>Total:</b>	(246,434)	(258,000)	(258,000)
<b>Government Purchasing Agency</b>	<b>\$2,005,534</b>	<b>\$2,119,700</b>	<b>\$1,953,000</b>



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Labrador